Co-Financial Advisor Contracts

Finance, Audit and Accountability Committee

January 23, 2006
Purpose

• To provide an update on the status of the Co-Financial Advisor contract Request for Proposal
• Make an award recommendation
Background

• Current Financial Advisor and Arbitrage Rebate Calculation contracts expired on December 31, 2005

• RFP issued in November 2005

• 1 Proposal received
  – First Southwest and Estrada Hinojosa – the City’s current Co-Financial Advisors

• City Auditor’s Office does not object to the award of this contract
Background

Financial Advisory Services

- Assist with preparations for bond sales
- Assist with bond sales
- Assist with preparations for and presentations to bond rating agencies and, as needed, bond insurers
- Provide advice and assistance as needed (eg RFP for underwriting syndicates, Water Commercial Paper Program)
- Assist with certain aspects of capital budgeting and financial planning
- Prepare arbitrage rebate computations and reports
Contract History

• First Southwest has been the City’s financial advisor since 1957
• Estrada Hinojosa and Company has been co-financial advisor since 1995
Contractual Arrangement

• Both firms will continue as co-financial advisors
• Enter into 2 separate 5 year contracts
• Split the bond issuance advisory work
  – 60% First Southwest
  – 40% Estrada Hinojosa
• All arbitrage rebate work will continue to be performed by First Southwest
## Fee Structure

<table>
<thead>
<tr>
<th></th>
<th>First Southwest</th>
<th>Estrada Hinojosa</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>First $15,000,000</td>
<td>$15,000</td>
<td>$10,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>Next $15,000,000</td>
<td>$0.60 per $1,000</td>
<td>$0.40 per $1,000</td>
<td>$1.00 per $1,000</td>
</tr>
<tr>
<td>Over $30,000,000</td>
<td>$0.36 per $1,000</td>
<td>$0.24 per $1,000</td>
<td>$0.60 per $1,000</td>
</tr>
</tbody>
</table>

- Advisory services related to bond sales are contingent upon the sale and delivery of the bonds.
- Payment for bond sale services are made from the proceeds or interest earnings on the proceeds.
- Fees for advisory work not associated with a particular bond sale are based on hourly rates and will not exceed $60,000 per year for First Southwest and $40,000 per year for Estrada Hinojosa.
- Fees for arbitrage rebate computations are $2,000 per bond issue, with certain reductions granted, and will not exceed $80,000 per year.

**Note:** No changes to the fee structure from the current contract are proposed.
Recommendation

• Award contracts to First Southwest and Estrada Hinojosa on January 25 Council agenda
Questions